

Message Text

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PAGE 01 SAO PA 00179 292018Z

64

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TO SECSTATE WASHDC 4893

INFO AMEMBASSY BRASILIA

UNCLAS SAO PAULO 0179

FOR THOMAS (A) AND WEIHRAUCH (A/ALS)

E.O. 11652: N/A

TAGS: ALLOW, BR

SUBJECT: COST OF LIVING INDEXES

REF STATE 16893; SAO PAULO 124 AND PREVIOUS

1. I AM CONCERNED AND PERPLEXED ABOUT THE COST-OF-LIVING INDEXES SET FORTH IN A/AL'S OPERATIONS MEMORANDUM OF JANUARY 15, 1974, WHICH WERE CALCULATED FROM THE CONSULATE GENERAL'S SURVEY OF NOVEMBER 1973. MY CONCERN STEMS FROM THE ADVERSE EFFECTS OF THE NEW INDEXES ON THE MORALE OF THE CONSULATE GENERAL'S AMERICAN STAFF. MY PERPLEXITY STEMS PRINCIPALLY FROM THE DISPROPORTIONATELY SMALL RISE IN THE U.S. GOVERNMENT INDEX FROM WHICH THE COST OF LIVING ALLOWANCE OF GOVERNMENT EMPLOYEES IS COMPUTED, IN CONTRAST TO THE LARGE RISES IN THE LOCAL AND U.S. GOVERNMENT RELATIVE PRICE FIGURES OVER THE COMPARABLE FIGURES CALCULATED FROM THE POST'S SURVEY OF JANUARY 1973. WHILE THE LOCAL RELATIVE ROSE 23 POINTS AND THE U.S. GOVERNMENT RELATIVE 17 POINTS, THE U.S. GOVERNMENT INDEX ROSE ONLY 4 POINTS.

2. PARTICULARLY PUZZLING IS THE CHANGE IN THE DIRECTION OF THE HISTORICAL SPREAD BETWEEN THE RELATIVE PRICE FIGURES AND THE INDEX FIGURES BOTH IN THE LOCAL AND U.S. GOVERNMENT CATEGORIES. USING THE POST'S NOVEMBER 1968 SURVEY, A/ALS CALCULATED EACH OF THE TWO INDEX FIGURES AT 13 POINTS ABOVE THE RELATIVES (LABOR DEVELOPMENTS ABROAD OCTOBER 1969, UNCLASSIFIED

UNCLASSIFIED

PAGE 02 SAO PA 00179 292018Z

VOLUME 14, NO. 10). AS LATE AS THE JANUARY 1973 SURVEY BY

SAO PAULO, THE INDEXES WERE CALCULATED BY A/ALS AT 12 POINTS OVER THE RELATIVES IN BOTH CATEGORIES. YET, BASED ON THE MOST RECENT SURVEY (NOVEMBER 1973), A/ALS CALCULATED THE INDEXES TO BE 2 POINTS BELOW REPEAT BELOW THE RELATIVE PRICES IN THE LOCAL CATEGORY AND 1 POINT BELOW THE RELATIVE PRICES IN THE U.S. GOVERNMENT CATEGORY.

3. WE KNOW OF NO CHANGES IN EXPENDITURES OR LIVING PATTERNS IN SAO PAULO OR WASHINGTON THAT WOULD ACCOUNT FOR SUCH A SHARP REVERSAL IN THE RELATIONSHIP BETWEEN THE RELATIVES AND THE INDEXES IN EITHER THE LOCAL OR U.S. GOVERNMENT CATEGORIES. I EARNESTLY REQUEST THE DEPARTMENT TO PROVIDE ME WITH AT LEAST THE ESSENTIAL NATURE OF THE FACTORS WHICH WERE TAKEN INTO ACCOUNT TO REACH THESE ASTOUNDING, AND AT PRESENT UNBELIEVABLE, CONCLUSIONS. I HAVE CAREFULLY REVIEWED THE LANGUAGE ON PAGE 2 OF THE DEPARTMENT OF LABOR'S PUBLICATION ON U.S. DEPARTMENT OF STATE INDEXES OF LIVING COSTS ABROAD AND FIND NO ENLIGHTENMENT OR SOLACE IN THOSE PARAGRAPHS. WE HAVE BEEN BESIEGED BY QUERIES FROM AMERICAN EXECUTIVES IN SAO PAULO (REFLECTING THE REAL RISE IN PRICES) ASKING WHEN ANY NEW U.S. GOVERNMENT COST OF LIVING STATISTICS MIGHT BE AVAILABLE, BECAUSE MANY OF THE LARGE U.S. FIRMS OPERATING HERE USE THESE STATISTICS AS A GUIDE FOR A BASIS FOR ALLOWANCES, AND THE NEW FIGURES WILL BE RAPIDLY INCORPORATED INTO ALLOWANCES AMERICAN EXECUTIVES RECEIVE. WE ARE TURNING ASIDE QUERIES AS REQUESTED IN CA-3192 OF JUNE 11, 1970. I NEED THE ELEMENTS OF THE DEPARTMENT'S ANALYSIS TO COUNTER A SERIOUS MORALE PROBLEM AT THIS POST ARISING FROM HIGHER COSTS HERE IN BRAZIL AND EXACERBATED BY THE FACT THAT POST EMPLOYEES KNOW THAT HIGHER RELATIVE PRICES IN SAO PAULO WILL BENEFIT THE ALREADY HIGHLY PAID AMERICAN BUSINESS EXECUTIVES AND NOT THE LOWER PAID U.S. GOVERNMENT EMPLOYEES.

4. WE WILL FILE A NEW COST OF LIVING REPORT ASAP TO ATTEMPT TO OBTAIN WHAT IS DUE EMPLOYEES AT THIS POST.
CHAPIN

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Decaption Note:
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Disposition Approved on Date:
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Disposition Case Number: n/a
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Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
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Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1974/newtext/t1974018/aaaaahjb.tel
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